

HOUSEHOLD INCOME AND CONSUMPTION EXPENDITURE IN UGANDA

BY

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DECLARATION

I Kituyi Deborah declare that this dissertation and its contents represent my own work and have not previously been submitted for a degree at this university or any other University.

Signed..... Date 21st April, 2023

APPROVAL

This is to certify that the dissertation of **Kituyi Deborah** has been under my supervision and has been duly approved for submission to the Department of Economics and Entrepreneurship.



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LIST OF ACRONYMS

- ADF : Augmented Dickey-Fuller
- AIC : Akaike Information Criterion
- DW : Durbin Watson
- FPE : Final Prediction Error
- HQ : Hannan-Quinn Information Criterion
- LR : Likelihood-Ratio.
- SIC : Schwartz Information Criterion

ABSTRACT

The study examined the effect of household's income and consumption expenditure in Uganda using data from three (3) recent waves of the Uganda National Panel Survey (UNPS). A panel-quantitative study was undertaken using secondary data from Uganda Bureau of Statistics (UBOS). The results indicate that; i) having household income (on farm and off farm income) has a significant positive effect on consumption expenditure. The implication of these findings is that government should focus on the formation and implementation of policies that inspire households to diversify their income sources in order to improve on their consumption expenditure. Government should also prioritize attainment of higher of higher education levels through increased access to education and retention especially at higher levels. Additionally, government should purpose to remove all constraints to income diversification, through enhancing access to cheap credit and putting in place programs that enhance entrepreneurial skills of the population, among others. All the above put together could increase households income and also lead improved consumption expenditure especially for rural areas.

CHAPTER ONE

INTRODUCTION

This chapter consists of the background, problem statement, objectives of study, hypothesis, scope of study, the significance of study and the conceptual frame work.

1.0 Background to the study

According to Castilla & walker, (2015), Consumption expenditure is a useful indicator since it involves the total money spent on final goods and services by individuals and households for personal use and enjoyment in the economy. Contemporary measures of consumption expenditure include all private purchases of durable goods, non-durable goods. However, consumption expenditure involves spending of the household incomes on all domestic costs (by residents and nonresidents) for individuals' needs, among others things includes expenditures on goods and services, household consumption expenditure varies substantially the population due to incomes of households, economic structure, and the degree of urbanization, (Morton, 2019). Consumption expenditure reduced after the second lockdown in June 2021 and remained at the same level in June 2022 half of the population was moderately food insecure. Households, in particular the poorest ones, felt a negative impact from the increased prices which led to reduced consumption expenditure since household incomes were low as many people were not working (Lastunen, 2021).

Africa is one of the fastest growing consumer markets in the world. Household consumption has increased ever faster than its gross domestic product (GDP) in recent years (Deloitte, 2015). Despite rational growth, through changes in household spending in Africa have remained relatively stagnant failing to keep pace with the increase in average income levels (world development indicators 2017). At the same time, the formal consumer spending levels in sub-

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